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W5454

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FARMERS' NEWSLETTER

Wheat



April 80/W-12

Higher Target Price; No Acreage Diversion

There's no acreage set-aside this year, so as a wheat grower, you're already eligible for farm program benefits. March brought some farm program changes you should be aware of.

- President Carter signed into law a bill raising the 1980 wheat target price to \$3.63 per bushel. Without this action, the 1980 target price would have been \$3.08 per bushel.

- However, to get the \$3.63 target price, you must stay within your normal crop acreage, which equals all the land you planted to crops in 1977.

- If you plant more than that, you'll be eligible only for the \$3.08 target price.

- For the 1980 crop, you're eligible for the \$2.50 loan rate whether or not you stay within your normal crop acreage.

- The disaster payment program has been extended for all producers through the 1980 crop.

- The payment rate is based on the target price for which the producer is

eligible, but a \$100,000-per-person limit is now in effect--previously there was no limit.

Along with other program changes announced after the cutoff of sales to the USSR (covered in our January Wheat Newsletter) a paid acreage diversion and a haying and grazing program for wheat were considered but not implemented.

Why not? Mainly there were three factors:

- The Administration's intent to isolate 4 million metric tons (150 million

WHEAT SUPPLY AND USE UP

	1977/78	1978/79 Preliminary	1979/80 Forecast*
Million bushels			
Supply:			
Beginning stocks ..	1,112	1,177	925
Production	2,036	1,798	2,142
Imports	2	1	2
Total supply ...	3,150	2,976	3,069
Use:			
Food	586	591	600 ± 5
Seed	80	87	95 ± 5
Feed	183	179	75 ± 25
Exports	1,124	1,194	1,325 ± 100
Total use	1,973	2,051	2,095 ± 110
Ending stocks	1,177	925	974
Dollars per bushel			
Avg. farm price	2.33	2.98	3.70 - 3.90

The Farmers' Newsletter is authorized by Congress and written and published by USDA's Economics, Statistics, and Cooperatives Service. Materials in the newsletter are approved by the World Food and Agricultural Outlook and Situation Board.

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The next wheat newsletter is scheduled for early June.

* As of March 11, 1980.

bushels) of wheat into a foreign food-aid reserve;

- Prospects for continued strong exports; and
- A small increase likely for carry-over this summer.

Wheat Prices Waver

You saw market prices drop when the sales suspension was first announced. But they climbed back to presuspension

levels in many areas by mid-January, reacting to Government moves to cushion the cutoff's effects. February wheat prices yo-yoed day by day in a narrow range but fell slightly toward the month's end. This was due in part to favorable winter wheat conditions in most Northern Hemisphere areas and rumors of more program changes.

Then, prices rallied slightly in response to early-March CCC offers to buy wheat from country elevators. This CCC-purchased wheat is earmarked for

A Look at U.S.—USSR Wheat Sales

The January suspension of sales to the Soviets focused attention on our grain trading relationship with them. It also created considerable uncertainty for U.S. grain farmers and marketing firms. The USSR had become an important market for U.S. wheat so everyone had to reevaluate the supply, demand, and price outlook.

The table below shows our wheat sales to the Soviets for the past 8 years. They took over 10 percent of U.S. wheat exports in 4 of the last 8 years and over a fourth of the total in the big year beginning in 1972. They've often been the leading buyer and were among the top three countries to buy U.S. wheat in each of the last 8 years.

The 5-year grain supply agreement with them, signed in October 1976, is still in effect. It stabilized Soviet purchases from the United States, although the total Soviet wheat imports from all sources varies widely year to year. They have agreed to buy at least 6 million tons of grain a year (October–September), about half of which is to be wheat. They may purchase an additional 2 million tons without further approval.

While the value of USSR purchases is

dependent on the sales price, their buying has generated slightly less than half a billion dollars a year for the last 6 years.

The Soviet crop was short this year, and since the United States had large supplies, we agreed in October to supply the USSR up to 25 million tons of U.S. grain, with roughly 7 million tons expected to be wheat. The January suspension limited total shipments to the agreement level of 8 million tons of which about 2.5 million tons are expected to be wheat. This would have lowered total U.S. overseas wheat sales by around \$700 million, but increased demand from other countries has helped compensate.

U.S. WHEAT SALES TO USSR DROP

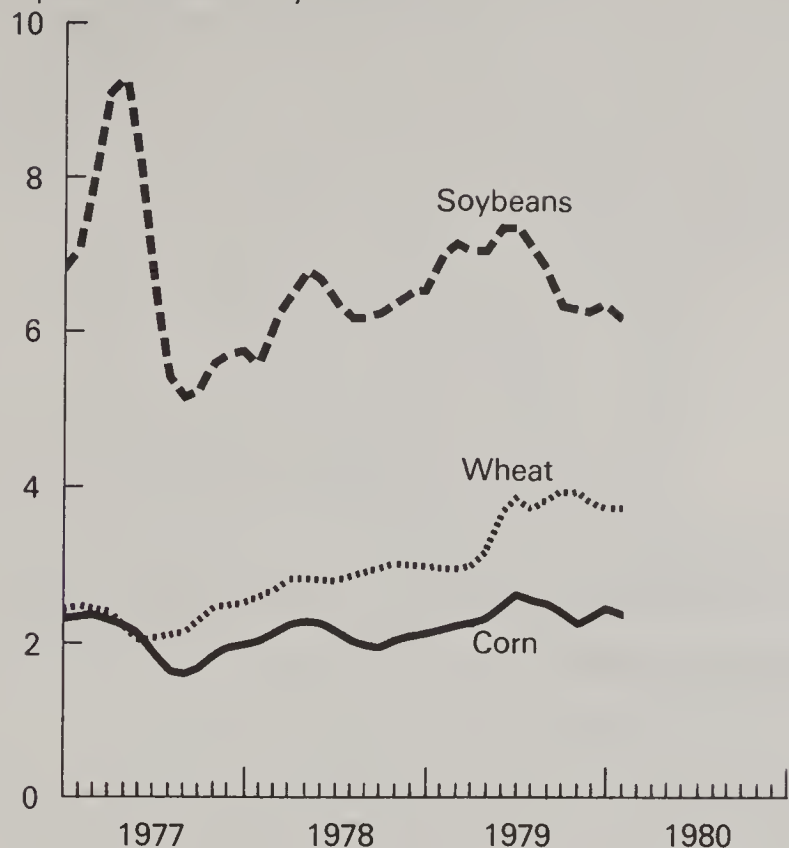
Year (Oct-Sept)	Total US Exports ¹	Value ²	Sales to USSR ¹	Value ²
1972/73	37.3	3,284	10.0	617
1973/74	27.8	4,652	1.3	121
1974/75	30.4	5,292	2.2	411
1975/76	31.1	4,787	3.0	446
1976/77	25.4	3,054	3.0	446
1977/78	33.6	4,139	3.4	413
1978/79	33.0	4,862	3.8	539
1979/80 ³	36.1	6,500	2.0-2.5	370-435

¹Wheat and products, million metric tons. ²Million dollars.

³Forecast.

FARM PRICES MODERATE

\$ per bu. received by farmers



overseas food aid and will never reach the commercial market. This action should help stabilize and perhaps strengthen prices.

The season's farm price for wheat is expected to average \$3.70 to \$3.90 per bushel when the current marketing year ends in May--the highest in 5 years. Through mid-February, it was \$3.83 a bushel, 90 cents above the June 1978

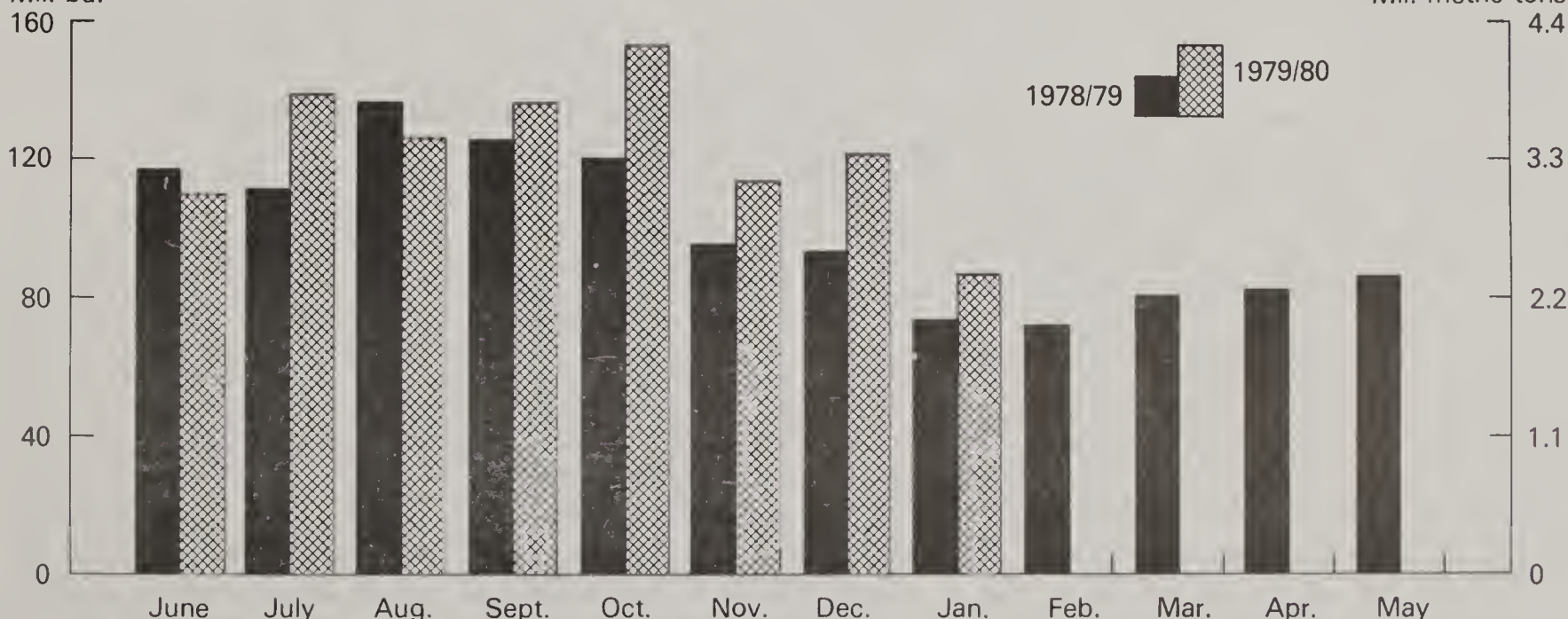
to February 1979 level. Cause of this year's strength: mainly record export sales.

Marketing your crop in an orderly fashion has proven to be a worthy practice. Here are several current price-making developments to watch for as you make your marketing plans:

- Follow the outcome of the CCC's offer to buy 150 million bushels of wheat previously destined for the Soviet Union. The CCC will make purchases on a regular basis and publicly announce acceptances of bids. Watch the acceptance price level, the class of wheat, the quantity bought, and the amount still to be purchased.
- Keep current on weather developments affecting wheat production both here and abroad.
- Watch movement of wheat into the farmer-owned reserve. About 20 million bushels have been placed in the reserve since January, tending to tighten the free supply and strengthen prices.
- Calculate the increasing cost of grain storage and other carrying charges.

U.S. WHEAT EXPORTS BETTER THAN LAST YEAR

Mil. bu.



Includes flour and products in wheat equivalent.

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Big Year for Exports

Wheat exports are up more than a tenth this marketing year, and if they continue to move at a record-setting pace, they will likely surpass the 1973 record by over 100 million bushels. Last October, U.S. ports moved out a monthly record 153 million bushels of wheat and wheat products.

This season's stepped-up overseas business is largely due to the heavy USSR loadings during the first 7 months of the marketing year, up about 100 million bushels from the same period last year. Despite the sales cutoff, about 80 million more bushels of U.S. wheat will reach Russian ports this marketing year than last.

Sales to Eastern Europe, another large buyer, will total over 100 million bushels compared with only 25 million last season.

In spite of competition from Canada and Argentina, the United States continues to be a major supplier to Latin America--Brazil, Mexico, Venezuela, Chile, Peru, and Columbia. Although China, Iran, and Pakistan are major markets, they have taken less wheat this year.

New Crop Prospects

The outlook for the wheat crops in the major production areas of the Northern Hemisphere has been generally good. The wheat crops in Eastern Europe and the Soviet Union appear improved over last year. However, the outlook is a little less bright in India and China. The U.S. winter wheat crop is in generally good condition, although yields will likely be below the record level of last year.

Call the toll-free FARMERS' NEWSLINE for these upcoming news features of special interest to wheat growers:

April 11-13	World Crop Prospects
April 14	Supply & Demand Analysis
April 17	Prospective Plantings
April 24	Grain Stocks
April 25-27	Supply & Demand Analysis
April 30	Farmers' Prices
May 6	Weather & Crops
May 9-11	U.S. Crop Prospects
May 12	Supply & Demand Analysis
May 13	Wheat Situation
May 21	Export Outlook
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